

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*City of Plainwell*  
*Allegan County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2005*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Plainwell**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the City of Plainwell's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets increased by \$160,987 (2 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$153,069, and net assets of the business-type activities increased by \$7,918.
- Of the \$10,379,251 total net assets reported, \$2,428,572 (23 percent) is available to be used to meet the City's ongoing obligations to its citizens and customers.
- The General Fund's unreserved fund balance at the end of the fiscal year was \$802,647, which represents 46 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The City's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
  - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Government-wide financial statements**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police and fire protection and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems and airport operations are reported here.
- *Component unit* - The City includes another entity in its report - the Plainwell Tax Increment Finance Authority. Although legally separate, this "component unit" is important because the City is financially accountable for it.

### **Fund financial statements**

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like the Fire Reserve and Capital Improvement funds) or to show that it is properly using certain taxes and other revenues (like property taxes collected for Solid Waste and motor fuel taxes collected for the street funds).

The City has three kinds of funds:

1. *Governmental funds*. Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2. *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
  - The City uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service fund is its Equipment Fund that manages the City's fleet of vehicles and equipment.
3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net assets.** Total net assets at the end of the fiscal year were \$10,379,251, an increase of 2 percent compared to the prior year. Of this total, \$7,487,116 is invested in capital assets and \$463,563 is restricted for various purposes. Consequently, unrestricted net assets were \$2,428,572, or 23 percent of the total.

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
Current assets	\$ 2,608	\$ 2,520	\$ 1,556	\$ 685	\$ 4,164	\$ 3,205
Noncurrent assets	1,641	1,855	5,952	6,802	7,593	8,657
<b>Total assets</b>	<b>4,249</b>	<b>4,375</b>	<b>7,508</b>	<b>7,487</b>	<b>11,757</b>	<b>11,862</b>
Current liabilities	104	94	176	207	280	301
Noncurrent liabilities	94	77	1,170	1,105	1,264	1,182
<b>Total liabilities</b>	<b>198</b>	<b>171</b>	<b>1,346</b>	<b>1,312</b>	<b>1,544</b>	<b>1,483</b>
Net assets:						
Invested in capital assets, net of related debt	1,641	1,855	4,717	5,632	6,358	7,487
Restricted	658	464	-	-	658	464
Unrestricted	1,752	1,885	1,445	543	3,197	2,428
<b>Total net assets</b>	<b>\$ 4,051</b>	<b>\$ 4,204</b>	<b>\$ 6,162</b>	<b>\$ 6,175</b>	<b>\$ 10,213</b>	<b>\$ 10,379</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Changes in net assets.** The City's total revenues were \$3,831,369. More than 37 percent of the City's revenues come from property taxes and another 35 percent come from utility charges.

The total cost of all the City's programs, covering a wide range of services, totaled \$3,670,382. More than 35 percent of the City's costs relate to the provision of utility services. Public safety costs account for 28 percent of the costs and public works costs account for 17 percent of the City's total costs.

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Program revenues:						
Charges for services	\$ 79	\$ 83	\$ 1,400	\$ 1,338	\$ 1,479	\$ 1,421
Operating grants and contributions	359	355	-	-	359	355
Capital grants and contributions	-	56	67	-	67	56
General revenues:						
Property taxes	1,368	1,428	-	-	1,368	1,428
State shared revenue	436	430	-	-	436	430
Interest income	32	65	16	23	48	88
Miscellaneous	47	54	-	-	47	54
Transfers	63	65	(50)	(65)	13	-
<b>Total revenues</b>	<u>2,384</u>	<u>2,536</u>	<u>1,433</u>	<u>1,296</u>	<u>3,817</u>	<u>3,832</u>
Expenses:						
Legislative	9	9	-	-	9	9
General government	383	486	-	-	383	486
Public safety	978	1,019	-	-	978	1,019
Public works	627	624	-	-	627	624
Community and economic development	19	54	-	-	19	54
Culture and recreation	198	191	-	-	198	191
Interest	1	-	-	-	1	-
Sewer	-	-	913	837	913	837
Water	-	-	401	398	401	398
Airport	-	-	51	53	51	53
<b>Total expenses</b>	<u>2,215</u>	<u>2,383</u>	<u>1,365</u>	<u>1,288</u>	<u>3,580</u>	<u>3,671</u>
<b>Increase in net assets</b>	<u>\$ 169</u>	<u>\$ 153</u>	<u>\$ 68</u>	<u>\$ 8</u>	<u>\$ 237</u>	<u>\$ 161</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$153,069.

The cost of all governmental activities this year was \$2,382,840. After subtracting the direct charges to those who directly benefited from the programs (\$82,899), and operating and capital grants and contributions (\$410,444), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$1,889,497.

General revenues, in the amount of \$2,042,566, exceeded the net cost of providing governmental services by \$153,069 causing the net assets to increase. The increase is principally explained by a strict adherence to spending limitations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Business-type activities.** Business-type activities increased the City's net assets by \$7,918. Key factors of this increase include:

- Modest increases in both sewer and water fees in the prior year continue to offset operational cost increases
- Spending limitations imposed through the budget

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental funds.** As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,097,608, a decrease of \$85,255 in comparison with the prior year. Of the total fund balances, \$14,332 is reserved for public safety expenditures. The remainder of the fund balances are unreserved and, therefore, available for spending at the Council's discretion. A portion of the City's governmental fund balances, in the amount of \$383,943, has been designated for future capital purchases.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance was \$802,647, which represents 46 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance increased by \$97,355 during the fiscal year primarily due to strict spending limitations.

The Major Street Fund experienced a decrease in fund balance of \$303,714 during the fiscal year primarily due to significant street construction costs and a \$160,000 transfer to the Local Street Fund.

The Local Street Fund experienced an increase in fund balance of \$43,635 during the fiscal year primarily due to a \$160,000 transfer from the Major Street Fund.

The Capital Improvement Fund experienced an increase in fund balance of \$16,289 during the fiscal year. Resources totaling \$93,874 financed the acquisition of land for \$50,000 and a \$27,000 transfer to the General Fund to cover the costs of the new economic development department.

**Proprietary funds.**

The Sewer Fund experienced an increase in net assets of \$23,722. The increase was due to the fact that charges for services were sufficient to cover the full cost of operations. Total net assets are \$3,856,054 at year-end of which \$62,652 is unrestricted.

The Water Fund experienced a decrease in net assets of \$5,096. The decrease was due to the fact that charges for services were insufficient to cover the full cost of operations that includes depreciation (\$112,107). Total net assets are \$2,221,868 at year-end of which \$461,434 is unrestricted.

### General fund budgetary highlights

Budgeted expenditures were increased by \$58,224 during the year to reflect anticipated cost increases. The difference between the actual and budgeted amounts (\$36,552) can be attributed to decisions to limit expenditures throughout the year.

### Capital assets and debt administration

#### Capital assets:

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$8,657,116 (net of accumulated depreciation). This investment includes a broad range of assets including land, buildings, police and fire equipment, and sewer and water facilities. The increase in the City's net investment in capital assets for the current fiscal year was \$1,064,372. The net investment in capital assets was increased \$214,042 by governmental activities and increased \$850,330 by business-type activities.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Infrastructure	\$ 729,023	\$ 6,753,870	\$ 7,482,893
Buildings and improvements	393,237	-	393,237
Equipment	432,209	-	432,209
Land	<u>300,581</u>	<u>48,196</u>	<u>348,777</u>
Totals	<u>\$ 1,855,050</u>	<u>\$ 6,802,066</u>	<u>\$ 8,657,116</u>

Major capital asset events during the current fiscal year included the following:

- The Sewer Fund incurred costs, in the amount of \$1,117,873, related to improvements at the wastewater treatment plant.
- Infrastructure improvements on Gladys and Brigham streets totaled \$358,386.
- The City acquired land for additional parking for \$50,000.
- The internal service fund acquired equipment, including a one ton truck, totaling \$43,847.
- A new accounting software program was acquired at a cost of \$17,709.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

#### Long-term debt:

At the end of the fiscal year, the City had bonds payable outstanding in the amount of \$1,170,000 which represents a decrease of \$65,000 or 5 percent. These bonds are secured solely by specific revenue sources (i.e., revenue bonds).

Other long-term debt obligations totaling \$76,488 represent accrued compensated absences.

More detailed information about the City's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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### **Economic condition and outlook**

Anticipated flat revenue streams will require the City to hold the line on conservative expenditure trends. The City's General Fund budget for the next year projects no increase in spending.

The City's General Fund may be affected by the possible acquisition of the former Plainwell Paper property during the next fiscal year. If the City acquires the Plainwell Paper property, we anticipate using approximately 54% of General Fund's fund balance to finance the acquisition. Additional resources will be needed for marketing efforts related to the property.

The City's enterprise operations will continue to charge fees sufficient to cover the cost of operations.

### **Contacting the City's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Karen Koehn, City Treasurer/Finance Director  
141 North Main Street  
Plainwell, Michigan 49080

Phone: (269) 685-6821

## INDEPENDENT AUDITORS' REPORT

City Council  
City of Plainwell, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Plainwell, Michigan, as of June 30, 2005, and for the year then ended, which collectively comprise the City of Plainwell, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the City of Plainwell, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Plainwell, Michigan, as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City Council  
City of Plainwell, Michigan  
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Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Plainwell, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Plainwell, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Siegfried Crandall P.C.*

August 25, 2005

**BASIC FINANCIAL STATEMENTS**

**City of Plainwell**  
**STATEMENT OF NET ASSETS**  
June 30, 2005

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	
ASSETS				
Current assets:				
Cash	\$ 2,234,207	\$ 574,983	\$ 2,809,190	\$ 220,312
Receivables, net	278,012	117,978	395,990	700
Internal balances	7,506	(7,506)	-	-
Total current assets	2,519,725	685,455	3,205,180	221,012
Noncurrent assets:				
Capital assets, net of depreciation	1,855,050	6,802,066	8,657,116	-
Total assets	4,374,775	7,487,521	11,862,296	221,012
LIABILITIES				
Current liabilities:				
Payables	94,399	142,158	236,557	-
Bonds payable	-	65,000	65,000	-
Total current liabilities	94,399	207,158	301,557	-
Noncurrent liabilities:				
Compensated absences	76,488	-	76,488	-
Bonds payable	-	1,105,000	1,105,000	-
Total noncurrent liabilities	76,488	1,105,000	1,181,488	-
Total liabilities	170,887	1,312,158	1,483,045	-
NET ASSETS				
Invested in capital assets, net of related debt	1,855,050	5,632,066	7,487,116	-
Restricted for:				
Public safety	373,681	-	373,681	-
Public works	104,214	-	104,214	-
Unrestricted	1,870,943	543,297	2,414,240	221,012
Total net assets	\$ 4,203,888	\$ 6,175,363	\$ 10,379,251	\$ 221,012

See notes to the financial statements

**City of Plainwell**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
<b>Primary government</b>				
Governmental activities:				
Legislative	\$ 9,150	\$ -	\$ -	\$ -
General government	485,991	-	-	-
Public safety	1,019,041	82,899	-	-
Public works	623,791	-	354,881	55,563
Community and economic development	53,876	-	-	-
Culture and recreation	190,991	-	-	-
Total governmental activities	<u>2,382,840</u>	<u>82,899</u>	<u>354,881</u>	<u>55,563</u>
Business-type activities:				
Sewer	835,946	891,798	-	-
Water	398,369	395,012	-	-
Airport	53,227	50,901	-	-
Total business-type activities	<u>1,287,542</u>	<u>1,337,711</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,670,382</u>	<u>\$ 1,420,610</u>	<u>\$ 354,881</u>	<u>\$ 55,563</u>
<b>Component unit:</b>				
Tax Increment Finance Authority	<u>\$ 4,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes  
State shared revenues  
Unrestricted interest income  
Cable television franchise fees  
Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

**Net (expenses) revenues and changes in net assets**

<b>Primary government</b>			<b>Component unit</b>
<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Totals</b>	<b>Authority</b>
\$ (9,150)		\$ (9,150)	
(485,991)		(485,991)	
(936,142)		(936,142)	
(213,347)		(213,347)	
(53,876)		(53,876)	
(190,991)		(190,991)	
(1,889,497)		(1,889,497)	
-	\$ 55,852	55,852	
-	(3,357)	(3,357)	
-	(2,326)	(2,326)	
-	50,169	50,169	
(1,889,497)	50,169	(1,839,328)	
			\$ (4,482)
1,427,589	-	1,427,589	-
430,091	-	430,091	-
64,522	22,704	87,226	4,694
33,024	-	33,024	-
22,385	-	22,385	115
64,955	(64,955)	-	-
2,042,566	(42,251)	2,000,315	4,809
153,069	7,918	160,987	327
4,050,819	6,167,445	10,218,264	220,685
\$ 4,203,888	\$ 6,175,363	\$ 10,379,251	\$ 221,012

See notes to the financial statements

**City of Plainwell**  
**BALANCE SHEET - governmental funds**

June 30, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Capital Improvement</u>
<b>ASSETS</b>				
Cash	\$ 723,951	\$ 122,045	\$ 135,871	\$ 488,686
Receivables, net	<u>167,678</u>	<u>92,574</u>	<u>17,760</u>	<u>-</u>
Total assets	<u>\$ 891,629</u>	<u>\$ 214,619</u>	<u>\$ 153,631</u>	<u>\$ 488,686</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 74,650	\$ 4,093	\$ 4,808	\$ -
Deferred revenue	<u>-</u>	<u>55,563</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>74,650</u>	<u>59,656</u>	<u>4,808</u>	<u>-</u>
Fund balances:				
Reserved for public safety	14,332	-	-	-
Unreserved:				
Designated for capital acquisitions	-	-	-	-
Undesignated	<u>802,647</u>	<u>154,963</u>	<u>148,823</u>	<u>488,686</u>
Total fund balances	<u>816,979</u>	<u>154,963</u>	<u>148,823</u>	<u>488,686</u>
Total liabilities and fund balances	<u>\$ 891,629</u>	<u>\$ 214,619</u>	<u>\$ 153,631</u>	<u>\$ 488,686</u>

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Some assets are not available to pay current period expenditures and, therefore, are deferred in the funds.

Some liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

The assets and liabilities of the internal service fund are included in the *governmental activities* in the statement of net assets.

Net assets of *governmental activities*

<i><b>Nonmajor governmental funds</b></i>	<i><b>Total governmental funds</b></i>
\$ 489,435	\$ 1,959,988
-	278,012
<u>\$ 489,435</u>	<u>\$ 2,238,000</u>
\$ 1,278	\$ 84,829
-	55,563
<u>1,278</u>	<u>140,392</u>
-	14,332
383,943	383,943
<u>104,214</u>	<u>1,699,333</u>
<u>488,157</u>	2,097,608
<u>\$ 489,435</u>	
	1,681,138
	55,563
	(76,488)
	<u>446,067</u>
	<u>\$ 4,203,888</u>

See notes to the financial statements

**City of Plainwell****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds**

Year ended June 30, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Capital Improvement</u>
<b>REVENUES</b>				
Property taxes	\$ 1,104,582	\$ -	\$ -	\$ 81,773
Licenses and permits	52,791	-	-	-
State grants	430,091	195,894	76,865	-
Intergovernmental	45,421	12,565	69,557	-
Fines and forfeitures	17,711	-	-	-
Interest and rentals	24,344	6,929	1,133	12,101
Other	14,838	-	7	-
Total revenues	<u>1,689,778</u>	<u>215,388</u>	<u>147,562</u>	<u>93,874</u>
<b>EXPENDITURES</b>				
Legislative	9,150	-	-	-
General government	437,953	-	-	140
Public safety	981,726	-	-	-
Public works	110,027	344,300	254,520	-
Community and economic development	53,605	-	-	-
Culture and recreation	138,585	-	-	-
Capital outlay	26,332	-	-	50,445
Total expenditures	<u>1,757,378</u>	<u>344,300</u>	<u>254,520</u>	<u>50,585</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(67,600)</u>	<u>(128,912)</u>	<u>(106,958)</u>	<u>43,289</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	167,555	-	160,000	-
Transfers out	(2,600)	(174,802)	(9,407)	(27,000)
Total other financing sources (uses)	<u>164,955</u>	<u>(174,802)</u>	<u>150,593</u>	<u>(27,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	97,355	(303,714)	43,635	16,289
<b>FUND BALANCES - BEGINNING</b>	<u>719,624</u>	<u>458,677</u>	<u>105,188</u>	<u>472,397</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 816,979</u>	<u>\$ 154,963</u>	<u>\$ 148,823</u>	<u>\$ 488,686</u>

<b><i>Nonmajor governmental funds</i></b>	<b><i>Total governmental funds</i></b>
\$ 241,234	\$ 1,427,589
-	52,791
-	702,850
-	127,543
-	17,711
12,924	57,431
2,437	17,282
<u>256,595</u>	<u>2,403,197</u>
-	9,150
140	438,233
-	981,726
147,210	856,057
-	53,605
-	138,585
3,396	80,173
<u>150,746</u>	<u>2,557,529</u>
<u>105,849</u>	<u>(154,332)</u>
-	327,555
(44,669)	(258,478)
<u>(44,669)</u>	<u>69,077</u>
61,180	(85,255)
<u>426,977</u>	<u>2,182,863</u>
<u>\$ 488,157</u>	<u>\$ 2,097,608</u>

See notes to the financial statements

**City of Plainwell**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended June 30, 2005*

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Net change in fund balances - total governmental funds (Page 8)	\$	(85,255)
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Amounts reported for *governmental activities* in the statement of activities (Page 6)  
are different because:

Capital assets:

Assets acquired	331,945
Provision for depreciation	(110,810)

Changes in other liabilities:

Net increase in deferred revenue	55,563
Net decrease in compensated absences	17,416

The net expenses of the internal service fund are reported with  
with *governmental activities*.

(55,790)
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Change in net assets of *governmental activities*

<u>\$</u>	<u>153,069</u>
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*See notes to the financial statements*

**City of Plainwell**  
**STATEMENT OF NET ASSETS - proprietary funds**  
June 30, 2005

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>ASSETS</b>					
Current assets:					
Cash	\$ 104,740	\$ 440,520	\$ 29,723	\$ 574,983	\$ 274,219
Receivables, net	75,172	41,676	1,130	117,978	-
Total current assets	179,912	482,196	30,853	692,961	274,219
Noncurrent assets - capital assets, net of depreciation	3,793,402	2,930,434	78,230	6,802,066	173,912
Total assets	3,973,314	3,412,630	109,083	7,495,027	448,131
<b>LIABILITIES</b>					
Current liabilities:					
Payables	117,260	20,762	4,136	142,158	9,570
Bonds payable	-	65,000	-	65,000	-
Total current liabilities	117,260	85,762	4,136	207,158	9,570
Noncurrent liabilities:					
Bonds payable	-	1,105,000	-	1,105,000	-
Total liabilities	117,260	1,190,762	4,136	1,312,158	9,570
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	3,793,402	1,760,434	78,230	5,632,066	173,912
Unrestricted	62,652	461,434	26,717	550,803	264,649
Total net assets	\$3,856,054	\$2,221,868	\$ 104,947	6,182,869	\$ 438,561
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(7,506)	
Net assets of business-type activities				\$6,175,363	

See notes to the financial statements

**City of Plainwell**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**

**proprietary funds**

Year ended June 30, 2005

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 881,817	\$ 379,871	\$ 50,281	\$1,311,969	\$ 162,269
Other	9,981	15,141	620	25,742	5,103
Total operating revenues	891,798	395,012	50,901	1,337,711	167,372
<b>OPERATING EXPENSES</b>					
Administration	176,398	85,163	45,695	307,256	-
Treatment	336,305	76,794	-	413,099	-
Collection	61,357	95,461	-	156,818	-
Costs of interfund services	-	-	-	-	175,375
Depreciation	254,380	112,107	7,532	374,019	52,398
Total operating expenses	828,440	369,525	53,227	1,251,192	227,773
<b>OPERATING INCOME (LOSS)</b>	63,358	25,487	(2,326)	86,519	(60,401)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest revenue	11,945	10,203	556	22,704	7,091
Interest expense	-	(28,844)	-	(28,844)	-
Total nonoperating revenues (expenses)	11,945	(18,641)	556	(6,140)	7,091
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	75,303	6,846	(1,770)	80,379	(53,310)
<b>TRANSFERS IN</b>	-	-	-	-	2,600
<b>TRANSFERS OUT</b>	(51,581)	(11,942)	(1,432)	(64,955)	(6,722)
<b>CHANGE IN NET ASSETS</b>	23,722	(5,096)	(3,202)	15,424	(57,432)
<b>NET ASSETS - BEGINNING</b>	3,832,332	2,226,964	108,149		495,993
<b>NET ASSETS - ENDING</b>	\$3,856,054	\$2,221,868	\$104,947		\$ 438,561
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(7,506)	
Change in net assets of business-type activities				\$ 7,918	

See notes to the financial statements

**City of Plainwell**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended June 30, 2005

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 899,293	\$383,750	\$50,882	\$1,333,925	\$ -
Receipts from interfund services provided	-	-	-	-	167,372
Payments to suppliers	(333,269)	(139,477)	(41,662)	(514,408)	(115,564)
Payments to employees	(199,390)	(109,006)	(3,773)	(312,169)	(57,035)
Internal activity - payments to other funds	(5,743)	(12,844)	(6)	(18,593)	-
Net cash provided by (used in) operating activities	360,891	122,423	5,441	488,755	(5,227)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfer in	-	-	-	-	2,600
Transfers out	(51,581)	(11,942)	(1,432)	(64,955)	(6,722)
Net cash used in noncapital financing activities	(51,581)	(11,942)	(1,432)	(64,955)	(4,122)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(1,168,654)	(55,694)	-	(1,224,348)	(46,059)
Proceeds from sale of capital assets	-	-	-	-	755
Principal paid on capital debt	-	(65,000)	-	(65,000)	-
Interest paid on capital debt	-	(30,062)	-	(30,062)	-
Net cash used in capital and related financing activities	(1,168,654)	(150,756)	-	(1,319,410)	(45,304)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	11,945	10,203	556	22,704	7,091
<b>NET INCREASE (DECREASE) IN CASH</b>	(847,399)	(30,072)	4,565	(872,906)	(47,562)
<b>CASH - BEGINNING</b>	952,139	470,592	25,158	1,447,889	321,781
<b>CASH - ENDING</b>	\$ 104,740	\$440,520	\$29,723	\$ 574,983	\$ 274,219

See notes to the financial statements

**City of Plainwell**

**STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)**

Year ended June 30, 2005

	<b><i>Business-type activities</i></b>				<b><i>Governmental activities</i></b>
	<b><i>Enterprise funds</i></b>				<b><i>Internal service</i></b>
	<b><i>Sewer</i></b>	<b><i>Water</i></b>	<b><i>Airport</i></b>	<b><i>Totals</i></b>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 63,358	\$ 25,487	\$ (2,326)	\$ 86,519	\$ (60,401)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	254,380	112,107	7,532	374,019	52,398
Changes in assets and liabilities:					
Receivables	7,495	(11,262)	(19)	(3,786)	-
Payables	35,658	(3,909)	254	32,003	2,776
Net cash provided by (used in) operating activities	<u>\$ 360,891</u>	<u>\$122,423</u>	<u>\$ 5,441</u>	<u>\$ 488,755</u>	<u>\$ (5,227)</u>

See notes to the financial statements

**City of Plainwell**

**STATEMENT OF FIDUCIARY NET ASSETS - *agency fund***

*June 30, 2005*

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**ASSETS**

Cash	\$ 163,138
Due from other governmental units	<u>230,638</u>
Total assets	<u>\$ 393,776</u>

**LIABILITIES**

Due to other governmental units	\$ 363,070
Due to others	<u>30,706</u>
Total liabilities	<u>\$ 393,776</u>

*See notes to the financial statements*

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Plainwell, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

*Discretely-presented component unit - Plainwell Tax Incremental Financing Authority:*

This unit is presented in a separate column in the financial statements to emphasize that it is legally separate from the City. Separate financial statements of the component unit have not been issued, as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit. The component unit's governing body is appointed by the City Council and its budget must be approved by the City Council.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Local Street Fund accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Capital Improvement Fund accounts for property taxes allocated from the general operating millage that the City Council has designated for future capital improvements.

The City reports the following major enterprise funds:

The Sewer Fund accounts for the activities of the City's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports an internal service fund that accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector standards.

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is allocated proportionately to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets beginning July 1, 2004, as permitted by GASB No. 34.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 25 years
Vehicles	4 - 20 years
Sewer and water systems	50 years

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (continued):**

v) *Compensated absences (vacation and sick leave)* - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition:*

Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 15, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations in budgeted funds* - The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	\$ 418,908	\$ 437,953	\$ 19,045
Major Street	Public works	337,772	344,300	6,528
Capital Improvement	Transfers out	-	27,000	27,000

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

At June 30, 2005, cash is classified in the accompanying financial statements as follows:

Statement of net assets:	
Governmental activities	\$ 2,234,207
Business-type activities	574,983
Component unit	220,312
Fiduciary funds	<u>163,138</u>
Total cash	<u>\$ 3,192,640</u>

At June 30, 2005, cash consists of the following:

Cash on hand	\$ 1,000
Deposits with financial institutions	<u>3,191,640</u>
Total	<u>\$ 3,192,640</u>

*Deposits with financial institutions* - State statutes and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2005, \$3,072,760 of the City's bank balances of \$3,303,466 was exposed to custodial credit risk because it was uninsured.

The City maintains individual and pooled cash accounts for all of its funds and its component unit. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit. The insured portion of the bank balance has been allocated entirely to the primary government.

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 4 - RECEIVABLES:**

At June 30, 2005, the City's receivables are as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:				
General Fund	\$ 4,207	\$ 25,611	\$ 137,860	\$ 167,678
Major Street Fund	-	-	92,574	92,574
Local Street Fund	-	-	17,760	17,760
Total governmental activities	<u>\$ 4,207</u>	<u>\$ 25,611</u>	<u>\$ 248,194</u>	<u>\$ 278,012</u>
Business-type activities:				
Sewer Fund	\$ -	\$ 75,172	\$ -	\$ 75,172
Water Fund	-	41,676	-	41,676
Nonmajor business-type fund	-	1,130	-	1,130
Total business-type activities	<u>\$ -</u>	<u>\$ 117,978</u>	<u>\$ -</u>	<u>\$ 117,978</u>

All receivables are due within one year and are considered fully collectible.

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 250,581	\$ 50,000	\$ -	\$ 300,581
Capital assets being depreciated:				
Streets	-	276,042	-	276,042
Land improvements	852,210	-	-	852,210
Buildings and improvements	741,525	-	-	741,525
Equipment and vehicles	1,660,496	52,112	41,300	1,671,308
Subtotal	3,254,231	328,154	41,300	3,541,085
Less accumulated depreciation for:				
Street	-	1,150	-	1,150
Land improvements	365,292	32,787	-	398,079
Buildings and improvements	328,897	19,391	-	348,288
Equipment and vehicles	1,169,615	109,880	40,396	1,239,099
Subtotal	1,863,804	163,208	40,396	1,986,616
Total capital assets being depreciated, net	1,390,427	164,946	904	1,554,469
Governmental activities capital assets, net	\$ 1,641,008	\$ 214,946	\$ 904	\$ 1,855,050

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS (Continued):**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 48,196	\$ -	\$ -	\$ 48,196
Capital assets being depreciated:				
Sewer system	7,205,978	1,168,655	14,385	8,360,248
Water system	4,335,687	55,694	12,242	4,379,139
Airport	152,974	-	-	152,974
Subtotal	<u>11,694,639</u>	<u>1,224,349</u>	<u>26,627</u>	<u>12,892,361</u>
Less accumulated depreciation for:				
Sewer system	4,327,252	254,380	14,385	4,567,247
Water system	1,366,185	112,107	12,242	1,466,050
Airport	97,662	7,532	-	105,194
Subtotal	<u>5,791,099</u>	<u>374,019</u>	<u>26,627</u>	<u>6,138,491</u>
Total capital assets being depreciated, net	<u>5,903,540</u>	<u>850,330</u>	<u>-</u>	<u>6,753,870</u>
Business-type activities capital assets, net	<u>\$ 5,951,736</u>	<u>\$ 850,330</u>	<u>\$ -</u>	<u>\$ 6,802,066</u>

Depreciation expense was charged to the City's functions as follows:

Governmental activities:	
General government	\$ 24,727
Public safety	38,728
Public works	3,168
Culture and recreation	44,187
Depreciation on internal service fund assets	<u>52,398</u>
Total governmental activities	<u>\$ 163,208</u>
Business-type activities:	
Sewer	\$ 254,380
Water	112,107
Airport	<u>7,532</u>
Total business-type activities	<u>\$ 374,019</u>

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - PAYABLES:**

At June 30, 2005, payables for the City's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General	\$ 62,338	\$ 12,312	\$ -	\$ 74,650
Major Street	4,093	-	-	4,093
Local Street	4,808	-	-	4,808
Nonmajor governmental	<u>1,278</u>	<u>-</u>	<u>-</u>	<u>1,278</u>
Totals	<u>\$ 72,517</u>	<u>\$ 12,312</u>	<u>\$ -</u>	<u>\$ 84,829</u>
Business-type activities:				
Sewer	\$ 105,246	\$ 12,014	\$ -	\$ 117,260
Water	5,599	7,851	7,312	20,762
Nonmajor business-type	<u>4,136</u>	<u>-</u>	<u>-</u>	<u>4,136</u>
Totals	<u>\$ 114,981</u>	<u>\$ 19,865</u>	<u>\$ 7,312</u>	<u>\$ 142,158</u>

**NOTE 7 - INTERFUND TRANSFERS:**

A summary of interfund transfers for the year ended June 30, 2005, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 100,555	Major Street	\$ 14,802
		Local Street	9,407
		Nonmajor governmental	4,669
		Sewer	51,581
		Water	11,942
		Nonmajor business-type	1,432
		Internal service	<u>6,722</u>
			100,555
General	27,000	Capital Improvement	27,000
	40,000	Nonmajor governmental	40,000
Internal service	2,600	General	2,600
Local Street	<u>160,000</u>	Major Street	<u>160,000</u>
	<u>\$ 330,155</u>		<u>\$ 330,155</u>

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - INTERFUND TRANSFERS (Continued):**

The transfers to the General Fund, in the amount of \$100,555, represent unrestricted revenues collected in the other funds to finance programs accounted for in the General Fund in accordance with budgetary authorizations.

The Capital Improvement Fund transferred \$27,000 to the General Fund to finance a portion of the costs of the new economic development department.

A nonmajor governmental fund transferred \$40,000 to the General Fund to finance a portion of the costs of fire protection.

The Major Street Fund, in compliance with state statutes, transferred \$160,000 of available funds to the Local Street Fund, which represents support for additional street maintenance and repairs.

**NOTE 8 - NONCURRENT LIABILITIES:**

At June 30, 2005, noncurrent liabilities are comprised of the following individual issues:

Governmental activities:	
Accrued employee benefits	<u>\$ 76,488</u>
Business-type activities:	
Bonds payable:	
\$1,570,000 1999 Water Supply System revenue bonds - payable	
in annual installments ranging from \$65,000 to \$90,000, plus	
interest at 2.50%; final payment due October 2019	
	<u>\$ 1,170,000</u>

Noncurrent liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Governmental activities:				
Compensated absences	<u>\$ 93,904</u>	<u>\$ 54,971</u>	<u>\$ 72,387</u>	<u>\$ 76,488</u>
Business-type activities:				
1999 Revenue bonds	<u>\$ 1,235,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 1,170,000</u>

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - NONCURRENT LIABILITIES (Continued):**

At June 30, 2005, debt service requirements, with the exception of compensated absences, are as follows:

	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2006	\$ 65,000	\$ 28,438
2007	65,000	26,812
2008	70,000	25,125
2009	70,000	23,375
2010	70,000	21,625
2011 - 2015	390,000	79,750
2016 - 2020	<u>440,000</u>	<u>27,875</u>
	<u>\$ 1,170,000</u>	<u>\$ 233,000</u>

**NOTE 9 - RISK MANAGEMENT:**

The City is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$3,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**NOTE 10 - RETIREMENT PLAN:**

The City provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The City contributes 9% of each qualified employee's base salary to the plan. The City's contributions are fully vested immediately. The City is not a trustee of the plan, nor is the City responsible for investment management of plan assets.

The City and employees made the required contributions of \$141,292 and \$138,584, respectively.

**NOTE 11 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended June 30, 2005, is as follows:

Revenues	\$ 19,767
Expenses	<u>18,348</u>
Excess of revenues over expenses	<u>\$ 1,419</u>

**City of Plainwell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 12 - CONTINGENCY:**

The Tax Increment Finance Authority, a component unit of the City, has adopted a tax increment financing plan (the plan) that allows the Authority (the Authority) to expend tax increment revenues for purposes of furthering the development program contemplated in the plan. At June 30, 2005, the Authority's fund balance was \$221,012. The Authority intends to use the available fund balance to complete the development program. However, any funds remaining after completion of the development program shall revert proportionately to the respective taxing entities, including the City, from which the tax increment revenues were derived.

## REQUIRED SUPPLEMENTARY INFORMATION

**City of Plainwell****BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,106,165	\$ 1,106,165	\$ 1,104,582	\$ (1,583)
Licenses and permits	41,650	40,400	52,791	12,391
State grants	430,000	430,000	430,091	91
Contribution from local unit	46,000	46,000	45,421	(579)
Fines and forfeitures	8,200	16,700	17,711	1,011
Interest	8,705	20,805	24,344	3,539
Other	22,100	31,485	14,838	(16,647)
Total revenues	<u>1,662,820</u>	<u>1,691,555</u>	<u>1,689,778</u>	<u>(1,777)</u>
<b>EXPENDITURES</b>				
Legislative - City Council	<u>9,155</u>	<u>9,155</u>	<u>9,150</u>	<u>5</u>
General government:				
Elections	10,130	13,432	11,888	1,544
Administration	277,365	267,692	286,384	(18,692)
Assessor	27,215	35,500	35,408	92
Building and grounds	100,482	100,384	101,156	(772)
Community promotion	<u>1,900</u>	<u>1,900</u>	<u>3,117</u>	<u>(1,217)</u>
Total general government	<u>417,092</u>	<u>418,908</u>	<u>437,953</u>	<u>(19,045)</u>
Public safety:				
Department of Public Safety:				
Police protection	875,550	869,551	864,384	5,167
Fire protection	93,166	102,067	98,994	3,073
Protective inspections	<u>21,000</u>	<u>21,000</u>	<u>18,348</u>	<u>2,652</u>
Total public safety	<u>989,716</u>	<u>992,618</u>	<u>981,726</u>	<u>10,892</u>
Public works:				
Department of Public Works	72,822	92,823	80,636	12,187
Street lighting	<u>29,200</u>	<u>29,200</u>	<u>29,391</u>	<u>(191)</u>
Total public works	<u>102,022</u>	<u>122,023</u>	<u>110,027</u>	<u>11,996</u>
Community and economic development -				
Community development	<u>26,950</u>	<u>54,401</u>	<u>53,605</u>	<u>796</u>

**City of Plainwell**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Culture and recreation:				
Parks	\$ 111,855	\$ 103,356	\$ 95,038	\$ 8,318
Flowers and beautification	22,281	29,782	17,302	12,480
Special events	17,745	17,745	17,089	656
Forestry	12,270	8,271	3,636	4,635
School recreation	5,520	5,520	5,520	-
Total culture and recreation	<u>169,671</u>	<u>164,674</u>	<u>138,585</u>	<u>26,089</u>
Capital outlay	<u>21,100</u>	<u>32,151</u>	<u>26,332</u>	<u>5,819</u>
Total expenditures	<u>1,735,706</u>	<u>1,793,930</u>	<u>1,757,378</u>	<u>36,552</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(72,886)</u>	<u>(102,375)</u>	<u>(67,600)</u>	<u>34,775</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	140,555	167,555	167,555	-
Transfers out	<u>(2,600)</u>	<u>(2,600)</u>	<u>(2,600)</u>	<u>-</u>
Total other financing sources	<u>137,955</u>	<u>164,955</u>	<u>164,955</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	65,069	62,580	97,355	34,775
<b>FUND BALANCES - BEGINNING</b>	<u>719,624</u>	<u>719,624</u>	<u>719,624</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 784,693</u>	<u>\$ 782,204</u>	<u>\$ 816,979</u>	<u>\$ 34,775</u>

**City of Plainwell**  
**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**  
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 185,000	\$ 185,000	\$ 195,894	\$ 10,894
Intergovernmental	10,000	10,000	12,565	2,565
Interest	5,500	5,500	6,929	1,429
Other	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Total revenues	<u>206,500</u>	<u>206,500</u>	<u>215,388</u>	<u>8,888</u>
<b>EXPENDITURES</b>				
Public works:				
Construction	114,412	120,031	140,003	(19,972)
Preservation	156,231	156,233	150,667	5,566
Traffic services	21,845	21,846	14,232	7,614
Winter maintenance	27,226	27,226	33,345	(6,119)
Administration	<u>12,435</u>	<u>12,436</u>	<u>6,053</u>	<u>6,383</u>
Total expenditures	<u>332,149</u>	<u>337,772</u>	<u>344,300</u>	<u>(6,528)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(125,649)</u>	<u>(131,272)</u>	<u>(128,912)</u>	<u>2,360</u>
<b>OTHER FINANCING USES</b>				
Transfers out:				
Local Street Fund	(161,257)	(161,257)	(160,000)	1,257
General Fund	<u>(14,802)</u>	<u>(14,802)</u>	<u>(14,802)</u>	<u>-</u>
Total other financing uses	<u>(176,059)</u>	<u>(176,059)</u>	<u>(174,802)</u>	<u>1,257</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(301,708)</u>	<u>(307,331)</u>	<u>(303,714)</u>	<u>3,617</u>
<b>FUND BALANCES - BEGINNING</b>	<u>458,677</u>	<u>458,677</u>	<u>458,677</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 156,969</u>	<u>\$ 151,346</u>	<u>\$ 154,963</u>	<u>\$ 3,617</u>

**City of Plainwell**

**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 67,000	\$ 67,000	\$ 76,865	\$ 9,865
Intergovernmental	68,000	68,000	69,557	1,557
Interest	350	350	1,133	783
Other	<u>6,000</u>	<u>6,000</u>	<u>7</u>	<u>(5,993)</u>
Total revenues	<u>141,350</u>	<u>141,350</u>	<u>147,562</u>	<u>6,212</u>
<b>EXPENDITURES</b>				
Public works:				
Construction	168,850	176,059	137,633	38,426
Preservation	95,420	95,421	78,516	16,905
Traffic services	13,337	13,338	10,072	3,266
Winter maintenance	24,320	24,321	23,332	989
Administration	<u>11,640</u>	<u>11,641</u>	<u>4,967</u>	<u>6,674</u>
Total expenditures	<u>313,567</u>	<u>320,780</u>	<u>254,520</u>	<u>66,260</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(172,217)</u>	<u>(179,430)</u>	<u>(106,958)</u>	<u>72,472</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in - Major Street Fund	161,257	161,257	160,000	(1,257)
Transfer out - General Fund	<u>(9,407)</u>	<u>(9,407)</u>	<u>(9,407)</u>	<u>-</u>
Total other financing sources	<u>151,850</u>	<u>151,850</u>	<u>150,593</u>	<u>(1,257)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(20,367)</u>	<u>(27,580)</u>	<u>43,635</u>	<u>71,215</u>
<b>FUND BALANCES - BEGINNING</b>	<u>105,188</u>	<u>105,188</u>	<u>105,188</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 84,821</u>	<u>\$ 77,608</u>	<u>\$ 148,823</u>	<u>\$ 71,215</u>

**City of Plainwell****BUDGETARY COMPARISON SCHEDULE - Capital Improvement Fund**

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 81,600	\$ 81,600	\$ 81,773	\$ 173
Interest	5,000	5,000	12,101	7,101
Total revenues	<u>86,600</u>	<u>86,600</u>	<u>93,874</u>	<u>7,274</u>
<b>EXPENDITURES</b>				
General government:	400	400	140	260
Capital outlay	<u>86,200</u>	<u>86,200</u>	<u>50,445</u>	<u>35,755</u>
Total expenditures	<u>86,600</u>	<u>86,600</u>	<u>50,585</u>	<u>36,015</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	43,289	43,289
<b>OTHER FINANCING USES</b>				
Transfer out - General Fund	<u>-</u>	<u>-</u>	<u>(27,000)</u>	<u>(27,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	16,289	16,289
<b>FUND BALANCES - BEGINNING</b>	<u>472,397</u>	<u>472,397</u>	<u>472,397</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 472,397</u>	<u>\$ 472,397</u>	<u>\$ 488,686</u>	<u>\$ 16,289</u>

## SUPPLEMENTARY INFORMATION

**City of Plainwell**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
June 30, 2005

	<u>Special revenue</u>		<u>Total</u>
	<u>Solid Waste Removal</u>	<u>Fire Reserve</u>	<u>nonmajor governmental funds</u>
<b>ASSETS</b>			
Cash	\$ 105,492	\$ 383,943	\$ 489,435
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities - payables	\$ 1,278	\$ -	\$ 1,278
Fund balances:			
Unreserved:			
Designated for capital acquisitions	-	383,943	383,943
Undesignated	104,214	-	104,214
Total fund balances	104,214	383,943	488,157
Total liabilities and fund balances	\$ 105,492	\$ 383,943	\$ 489,435

**City of Plainwell****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2005

	<u>Special revenue</u>		<u>Total</u>
	<u>Solid Waste Removal</u>	<u>Fire Reserve</u>	<u>nonmajor governmental funds</u>
<b>REVENUES</b>			
Property taxes	\$ 159,461	\$ 81,773	\$ 241,234
Interest	3,610	9,314	12,924
Other	2,437	-	2,437
Total revenues	165,508	91,087	256,595
<b>EXPENDITURES</b>			
General government	-	140	140
Public works	147,210	-	147,210
Capital outlay	3,396	-	3,396
Total expenditures	150,606	140	150,746
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	14,902	90,947	105,849
<b>OTHER FINANCING USES</b>			
Transfers out	(4,669)	(40,000)	(44,669)
<b>NET CHANGE IN FUND BALANCES</b>	10,233	50,947	61,180
<b>FUND BALANCES - BEGINNING</b>	93,981	332,996	426,977
<b>FUND BALANCES - ENDING</b>	\$ 104,214	\$ 383,943	\$ 488,157

## OTHER SUPPLEMENTARY DATA

**City of Plainwell****SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$1,570,000 1999 WATER SUPPLY SYSTEM BONDS**

June 30, 2005

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<i><b>Fiscal period</b></i>	<i><b>Interest requirements</b></i>		<i><b>Maturity date</b></i>	<i><b>Principal</b></i>	<i><b>Total requirements</b></i>
	<i><b>October 1</b></i>	<i><b>April 1</b></i>			
2006	\$ 14,625	\$ 13,813	10/01/05	\$ 65,000	\$ 93,438
2007	13,812	13,000	10/01/06	65,000	91,812
2008	13,000	12,125	10/01/07	70,000	95,125
2009	12,125	11,250	10/01/08	70,000	93,375
2010	11,250	10,375	10/01/09	70,000	91,625
2011	10,375	9,438	10/01/10	75,000	94,813
2012	9,437	8,500	10/01/11	75,000	92,937
2013	8,500	7,500	10/01/12	80,000	96,000
2014	7,500	6,500	10/01/13	80,000	94,000
2015	6,500	5,500	10/01/14	80,000	92,000
2016	5,500	4,438	10/01/15	85,000	94,938
2017	4,437	3,375	10/01/16	85,000	92,812
2018	3,375	2,250	10/01/17	90,000	95,625
2019	2,250	1,125	10/01/18	90,000	93,375
2020	1,125	-	10/01/19	90,000	91,125
	<u>\$ 123,811</u>	<u>\$ 109,189</u>		<u>\$ 1,170,000</u>	<u>\$ 1,403,000</u>